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OUTLOOK FOR U.S. AGRICULTURAL EXPORTS

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Economic Research Service, and Foreign Agricultural Service,
U.S. Department of Agriculture

February 3, 1986

FORECAST LOWERED FOR U.S. FARM EXPORT VALUE, RAISED FOR VOLUME

The value of U.S. agricultural exports is estimated at $28 billion, 10 percent below the 1985 value and $1 billion less than the December estimate. Much of the year-to-year decline is because of lower prices for most major commodities, reflecting large supplies and sluggish demand for 1985/86, and sharply lower rates for wheat in the 1986/87 marketing year. The export forecast for rice and cotton only reflects foreign supply and demand conditions and current price expectations for the 1985/86 marketing years for two crops. The estimates may change following announcement of the marketing loan repayment rates for rice and cotton.

The volume of U.S. agricultural exports in fiscal 1986 is forecast at 122.5 million tons, up 2.0 million from the December estimate. The increased forecast stems largely from improved prospects for soybean exports. Nevertheless, export volume is expected to decline for the sixth straight year.

The seasonal pattern of U.S. agricultural exports in fiscal 1986 is expected to be significantly different from earlier years due to new commodity programs. Normally, a heavy movement of agricultural exports occurs in the first quarter of the fiscal year. However, this year, traders are sorting out the implications of the new commodity programs and awaiting announcement of additional details. Summer-quarter corn sales will likely slow considerably as importers delay purchases until fall.

U.S. agricultural imports are expected to rise to $21 billion, narrowing the agricultural trade balance $4.4 billion from a year ago to $7 billion, the lowest since 1972.

Table 1--U.S. agricultural trade balance, fiscal 1980/1981-1985/86

Item	-- Year beginning October 1 --					
	1980/81	1981/82	1982/83	1983/84	1984/85	Forecast 1985/86
	-- Billion dollars --					
Exports	43.8	39.1	34.8	38.0	31.2	28.0
Imports	17.2	15.5	16.4	18.9	19.8	21.0
Trade balance	26.6	23.6	18.4	19.1	11.4	7.0
	-- Million tons --					
Export volume	162.3	157.9	144.8	143.6	125.7	122.5

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Approved by the World Agricultural Outlook Board and summary released February 19, 1986

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	Page
FORECAST LOWERED FOR U.S. FARM EXPORT VALUE, RAISED FOR VOLUME	1
Commodity Highlights	3
Economic Outlook	4
Regional Highlights	5

Tables

Table 1--U.S. agricultural trade balance, 1980/81-1985/86
Table 2--U.S. agricultural exports: Value by commodity, 1984-86
Table 3--U.S. agricultural exports: Volume by commodity, 1984-86
Table 4--U.S. agricultural exports: Value by region, 1984-86
Table 5--U.S. agricultural imports: Value by commodity, 1984-86
Table 6--U.S. agricultural imports: Volume of selected commodities, 1984-86

The next quarterly summary of the Outlook for U.S. Agricultural Exports is scheduled for release on May 21, 1986. It will be available on several electronic information systems. For details, call (202) 472-1892 or (301) 588-1572. Full reports, including tables, are provided by the system on (402) 472-1892.

The Outlook for U.S. Agricultural Exports is published in February, May, August, and December. Annual subscription: $7 U.S., $8.75 foreign. Order from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. Make checks payable to the Superintendent of Documents.

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Commodity Highlights

The fiscal 1986 forecast for U.S. wheat and flour exports has been revised downward to $3.6 billion, $400 million (10 percent) below the December forecast and over $800 million below the previous year. The export volume estimate remains unchanged from the December forecast. The lower value estimate, compared with December's, reflects a variety of factors. Abundant wheat production, record foreign beginning stocks, and stiff competition from competing exporters has led to the lowest U.S. October-December wheat exports since 1978. The export pace is expected to remain slow through May, but later should increase sharply as export prices reflect the lower 1986/87 loan rates.

U.S. coarse grain exports are currently forecast at $5.4 billion, a reduction of $500 million (8 percent) from the December forecast and about $1.5 billion (21 percent) from fiscal 1985. Coarse grain export volume is forecast at 49.1 million tons, unchanged from the December estimate. Corn exports--which make up about 85 percent of total coarse grain exports--continue to lag. While corn exports have not been revised since the December estimate, they are expected to slip by almost $1.3 billion and 5 million tons from last year's level. Soviet demand for imported corn, much of which is normally provided by the United States, remains at only 60 percent of last year's record volume. Competition in Far-Eastern markets such as Japan, Korea, and Taiwan continues to intensify due to large exportable supplies of Thai and Chinese corn, feed wheat from several suppliers, and the expectation of increased exportable supplies of corn from South Africa and Argentina.

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The rice and cotton forecasts may change following the announcement of the marketing loan repayment rate for these commodities. A repayment rate below the loan level will likely reduce export prices and stimulate U.S. exports.
****

The rice export forecast remains unchanged from December at $600 million and 1.8 millions tons, but down $476 million and 172,000 tons for a year earlier.

The estimate for fiscal 1986 cotton exports has been revised downward by $200 million and 100,000 tons to $1.0 billion and 700,000 metric tons, respectively, a drop of roughly 50 percent in value and volume from last year's already depressed levels. Increased competition from Australian, Chinese, and Pakistani cotton is responsible for smaller exports to such key Asian markets as Japan and South Korea.

The oilseed forecast, at $6.3 billion, has been revised upward slightly from the December forecast. Soybean exports are now forecast at 20.4 million tons compared with 18.4 million tons in December. The improved export prospects are largely attributed to drought in Brazil, which is our major competitor for both soybeans and soybean meal on the world market, and larger Soviet purchases of soybeans.

The value forecast for U.S. horticultural exports is unchanged from the December estimate of $2.7 billion. The current forecast is about $100 million and 300,000 tons above fiscal 1985's export level. Several commodities within the horticultural sector are expected to contribute to the growth; shipments of fresh and dried fruits are forecast to be up markedly.

U.S. fiscal 1986 tobacco exports are forecast at $1.5 billion, unchanged in value but down slightly in volume from the December forecast, and down $88 million in

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Table 2--U.S. agricultural exports: Value by commodity, 1984-86

Commodity	October-December 1984	October-December 1985	Fiscal 1985	Fiscal 1986 Forecast
	---Billion dollars---			
Grains and feed	4.414	3.003	13.424	11.0
Wheat and flour	1.533	.896	4.427	3.6
Rice	.182	.170	.676	.6
Coarse grains 1/	2.301	1.529	6.867	5.4
Corn 2/	1.954	1.372	5.771	4.5
Oilseeds and products	2.287	1.881	6.366	6.3
Soybeans	1.425	1.282	3.872	4.2
Soybean cake and meal	.249	.286	.834	1.0
Soybean oil	.197	.070	.558	.4
Livestock and products	.835	.898	3.308	3.3
Poultry and products	.110	.101	.393	.4
Dairy products	.087	.105	.418	.5
Horticultural products	.704	.680	2.607	2.7
Tobacco	.665	.598	1.588	1.5
Cotton & linters	.533	.218	1.967	1.0
Seeds	.091	.106	.343	.4
Sugar and tropical products	.206	.182	.769	.8
Total	9.932	7.772	31.182	28.0

Table 3--U.S. agricultural exports: Volume by commodity, 1984-86

Commodity	October-December 1984	October-December 1985	Fiscal 1985	Fiscal 1986 Forecast
	-- Million metric tons --			
Wheat	9.975	6.258	28.524	28.0
Wheat flour	.096	.253	.782	1.2
Coarse grains 1/	18.159	14.532	55.231	49.1
Corn 2/	15.310	12.966	46.276	41.3
Feeds, ingredients & fodders	1.584	1.764	6.395	6.4
Rice	.477	.472	1.972	1.8
Soybeans	5.966	6.234	16.620	20.4
Soybean cake & meal	1.240	1.495	4.460	5.1
Soybean oil	.274	.109	.752	.6
Sunflowerseed	.567	.112	.999	.6
Sunflowerseed oil	.037	.040	.130	.1
Other oilcakes & meals	.065	.053	.149	.2
Beef, pork & variety meats	.100	.105	.400	.4
Poultry meat	.062	.060	.236	.2
Animal fats	.285	.414	1.199	1.3
Tobacco	.111	.103	.257	.2
Cotton & linters	.332	.150	1.317	.7
Horticultural products	.722	.657	2.659	2.7
Other	.933	.974	3.652	3.6
Total	40.986	33.785	125.735	122.5

1/ Includes corn, oats, barley, sorghum, rye, and products.

value from a year earlier. The decline in volume from the previous estimate is primarily a reflection of smaller expected shipments due to the lower quality of the 1985 crop.

Export forecasts for the livestock, dairy and poultry sector are virtually the same as the December estimates. Livestock and products remain forecast at $3.3 billion, unchanged from the previous estimate and last year's total, while dairy product exports have been raised to $500 million due to heavier shipments of butter, cheese, and nonfat dry milk.

Economic Outlook

Changes in the world economy will send mixed signals for U.S. agricultural exports in 1986. Foreign economic growth is expected to be slower--2.5 percent compared with 1985's 3 percent--as the rate of increase in U.S. imports continues to slow. Growth in Canada, Japan, and other regions exporting heavily to the United States, is therefore expected to lag, but aggregate growth for the less developed countries (LDCs) is expected to rise from 2 percent in 1985 to 2.5 percent in 1986. In the European Community (EC), economic expansion will probably continue close to last year's rate.

Another positive development is the expected moderate loosening of fiscal and monetary policies in the foreign developed economies. The lower valued U.S. dollar is expected to help ease inflationary pressure abroad--as will lower oil prices in the importing countries--raising real incomes and consumption, and enabling monetary authorities to continue lowering interest rates. Tax cuts in Germany, Japan, and other countries are also expected to have a positive impact, and larger domestic demand there is expected to boost imports and help raise LDC growth.

Lower oil prices and lower interest rates will help ease foreign exchange concerns for many developing countries, including debtors like Brazil and Korea. However, the unexpected magnitude and timing of the oil price drop will mean difficulties for the oil exporters and especially oil-exporting debtors like Mexico and Nigeria. The much increased borrowing needs of such countries comes at a time when world debtor-lender adjustment seems to be shifting from its earlier emphasis on short-term austerity towards "growth-oriented" strategies. As a result, 1986 may see some acceleration of bank lending to the LDCs from the sluggish pace of the last 2 years.

Regional Highlights

Western Europe

A fifth consecutive year of decline is believed to be in the offing for U.S. agricultural exports to Western Europe in fiscal 1986, with sales forecast at $6.9 billion, about one half 1981's level. Last year's decline stemmed in part from the region's massive jump in grain production, and, while the most recent harvest was smaller, it remained next-to-record. As a result, EC cereal intervention stocks had nearly trebled by the beginning of fiscal 1986, reflecting what the EEC Commission called "the stagnation of domestic demand coupled with persistent over-production."

Table 4--U.S. agricultural export value by region, 1984-1985 and 1986 forecast

Region	October-December 1984	October-December 1985	Fiscal 1985	Fiscal 1986 Forecast
	--Billion dollars--			
Western Europe	2.445	2.198	7.184	6.9
European Community	1.826	1.694	5.336	5.3
Other Western Europe 1/	.619	.504	1.849	1.6
Eastern Europe	.197	.145	.531	.5
USSR	1.054	.452	2.509	1.5
Asia	3.754	3.013	11.934	10.5
Middle East 2/	.520	.340	1.452	1.3
South Asia 3/	.192	.122	.600	.6
Japan	1.816	1.562	5.663	5.1
China	.117	.035	.239	.1
Other East Asia 4/	.888	.783	3.137	2.7
Southeast Asia 5/	.221	.171	.843	.7
Canada	.451	.345	1.727	1.5
Africa	.648	.609	2.528	2.3
North Africa 6/	.348	.395	1.208	1.4
Sub-Saharan Africa	.300	.214	1.319	.9
Latin America	1.312	.966	4.565	4.6
Mexico	.427	.301	1.564	1.5
Central America & Caribbean	.285	.279	1.129	1.2
South America	.600	.386	1.872	1.9
Oceania	.071	.044	.204	.2
Total	9.932	7.772	31.182	28.0
Developed Countries 7/	4.950	4.149	15.226	13.7
Less Developed Countries	3.614	2.991	12.676	12.2
Centrally Planned Countries	1.368	.632	3.280	2.1

1/ Includes Spain and Portugal.
2/ Turkey, Cyprus, Syria, Lebanon, Iraq, Iran, Israel, Jordan, Kuwait, Saudi Arabia, Qatar, United Arab Emirates, Yemen (Sana), Yemen (Aden), Oman, and Bahrain.
3/ Afghanistan, India, Pakistan, Nepal, Bangladesh, and Sri Lanka.
4/ Korea, Hong Kong, and Taiwan.
5/ Burma, Thailand, Vietnam, Laos, Kampuchea, Malaysia, Singapore, Indonesia, Brunei, Philippines, and Macao.
6/ Morocco, Algeria, Tunisia, Libya, and Egypt.
7/ Western Europe, Japan, Canada, and Oceania.

U.S. coarse grain exports to the region are expected to fall in 1986 with declining mixed feeds demand in Spain and Portugal, and increased use of feed wheat and manioc there. More importantly, U.S. soybean exports to Western Europe are expected to rise, despite a forecast of stagnant consumption for the region. Reduced Brazilian supplies will mean a larger U.S. market share, and Soviet meal purchases may also boost European soybean needs.

Japan

While Japan is expected to regain its position as the United States' largest coarse grain customer in fiscal 1986, and the volume of some other U.S. agricultural commodities exported there may rise as well, the value of such exports is expected to fall $600 million to $5.1 billion. Coarse grain sales are expected to rise about 4 percent as the stronger yen continues to piggyback on the impact of lower dollar prices. Competition from China and South Africa is expected to cut into the United States' market share, however.

U.S. wheat sales to Japan will be down following another large Japanese harvest. U.S. sales of tobacco and cotton are also expected to drop--by more than 50 percent in the case of cotton, as competitors overwhelm much of the United States' traditional share of the market. U.S. soybean sales are expected to increase in Japan, as in Western Europe, following Brazil's drought. A reduced sardine catch is also expected to increase soybean meal use, adding to favorable U.S. soybean export prospects.

Exports of beef are expected to rise in 1986, in part reflecting the U.S.-Japanese agreement. Higher shipments of pork and chicken are forecast as well.

Canada

U.S. agricultural exports to Canada were 25 percent lower in value during the first quarter of fiscal 1986, and are expected to finish the year at their lowest level in 10 years. The forecast for U.S. coarse grain sales to Canada has been lowered from the December forecast because Canada's barley harvest improved--a record corn crop in eastern Canada had already reduced the export forecast compared with fiscal 1985. In addition, a record Canadian soybean crop is expected to reduce U.S. sales of soybeans to Canada, but strong demand for soybean meal and continued labor problems in eastern crushing plants are expected to mean higher U.S. soybean meal exports to Canada than during fiscal 1985.

Another factor hampering U.S. exports to Canada in 1986 is the continued gains of the U.S. dollar against Canadian currency. While the U.S. dollar had been declining compared with most major currencies, the Canadian dollar has been weakened even further by falling oil prices, domestic banking crises, and local political events.

USSR

One of the largest declines in U.S. agricultural exports in fiscal 1986 is

expected to occur in the Soviet Union, as improved grain production trims U.S. estimated sales to $1.5 billion. In the future, sales may be dampened by decreased hard currency availability. However, the current estimate represents an increase since the December forecast, stemming from Soviet purchases of U.S. soybeans totaling over 1 million tons. The Soviet Union purchased no U.S. soybeans in fiscal 1985, and less than 500,000 tons in 1984.

The anticipated decline in coarse grain sales will more than offset increased soybean exports. Improved Soviet grain production and quality, record non-grain feed harvests, and lower livestock numbers will cut Soviet grain import needs nearly 40 percent, and U.S. sales are expected to drop accordingly.

Eastern Europe

In contrast to the sharp drop expected in sales to the Soviet Union, U.S. farm product exports to Eastern Europe are expected to remain nearly unchanged in 1986 as bumper harvests and lower import needs in the region's northern countries offset drought-induced sales increases to Bulgaria and Yugoslavia in the south. A disastrous corn harvest in Bulgaria is expected to slightly more than offset reduced coarse grain import needs in East Germany, and oilseed and product sales to the region may also rise. As has been the case for several years, hard currency availability will restrain Eastern Europe's imports of agricultural and other commodities, and will prevent coarse grain sales there from rebounding despite increased needs.

China

U.S. agricultural exports to China are forecast to fall below $200 million in 1986, a decline of more than 40 percent. China's most recent grain crop, although lower than a year earlier, is still its third largest ever. Total wheat imports are expected to drop again in 1986, and the forecast for U.S. wheat sales there has been further reduced from December's estimate as the United States continues to lose market share. Prospects for increased exports of non-grain commodities have dimmed substantially as China's top leaders' concerns about an overheated economy and a growing trade deficit are expected to induce some economic retrenchment during the coming year in what was one of 1985's most expansionary economies.

South Asia

Farm product exports to South Asia are forecast to fall slightly in 1986 as prospects for larger concessional and credit sales of wheat and soybean oil to Pakistan and Sri Lanka have been more than offset by reduced demand for food grains and edible oils elsewhere in the region. Wheat and rice sales to Bangladesh are now expected to drop further than previously forecast because of record harvests, while India's huge wheat surplus will preclude imports for the foreseeable future. India's edible oil imports are now expected to fall in 1986, and, together with increasingly stiff competition from palm oil, will probably prevent any substantial growth in U.S. soybean oil sales to the region.

Other East Asia

Lower prices and lower cotton sales are expected to reduce U.S. agricultural exports to Other East Asia (Korea, Taiwan, and Hong Kong) by about 14 percent to $2.7 billion. Other East Asia is the United States' largest cotton market--accounting for about one third of all U.S. export sales--and the deep cut in market share expected in global U.S cotton exports will be reflected here as well.

Increased livestock feeding in South Korea is expected to boost the volume of U.S. soybean sales to the region, but the increase will be insufficient to offset declining prices. Forecasts of U.S. coarse grain sales to the region have fallen since December as expectations of feed wheat use in Korea have risen. Supplies of Australian and Canadian feed wheat are ample and Korea may again purchase significant quantities.

Southeast Asia

As in 1985, strong domestic food production, sluggish export earnings, and intense price competition in Southeast Asia will cause a retreat in U.S. agricultural sales to the region during fiscal 1986. Southeast Asia is a net exporter of both food and of energy, with weak prices reducing earnings. The subsequent slowdown in economic growth and consumer demand will, in part, reduce demand for U.S. agricultural products.

The recent announcement of an Export Enhancement Program (EEP) initiative for wheat and wheat flour sales to the Philippines and the prospect of lower U.S. wheat prices has led to an increase in estimated 1986 wheat sales to the region.

Middle East

U.S. agricultural exports to the Middle East are expected to fall only slightly from 1985's $1.45 billion as increased wheat and oilseed sales offset an expected decline in coarse grain exports. GSM-102 credit guarantees for Iraq, and another poor Israeli harvest are expected to support U.S. wheat sales to the region. In addition, sales to Turkey are already above 1985's tonnage thanks to sales under an EEP initiative. Nearly all the 500,000 tons offered have been purchased.

Improved coarse grain production in the United States' largest Middle East customers--Turkey and Iraq--will probably mean lower U.S. sales to the region, but prospects for soybean and soybean meal exports have improved since December and are now expected to exceed 1985 levels.

North Africa

North Africa is expected to be one of the more promising regions for U.S. agricultural exports in 1986. U.S. wheat sales to North Africa, which were in part trimmed in 1985 by purchasing delays, are expected to rise in 1986, assisted by the EEP. North Africa has been a major focus for EEP initiatives. Coarse grain sales rose in 1985, and are expected to remain higher as local efforts to boost meat consumption continue to push feed consumption up. Increases will be tempered, however, by record grain crops in Algeria and Tunisia.

Sub-Saharan Africa

Declines in both commercial and concessional markets are expected to leave U.S. farm product sales to Sub-Saharan Africa nearly one third below the high levels of the last 2 years. Import needs are sharply lower in most African countries as improved weather in 1985 resulted in higher output: Sudan, for example, had a record cereal harvest. However, food aid shipments to Sudan and other countries are expected to continue. U.S. wheat shipments to the region are expected to surpass 1985's record volume because of increases in regional demand and drought-damage to South Africa's crop this year.

Imports of all goods by Sub-Saharan countries will again be constrained by continuing devaluations and by the sluggish economic growth which has led per capita GNP to fall 16 percent since 1980. Foreign exchange shortages remain severe in the region.

Latin America

Prospects for U.S. agricultural exports to Latin America have improved since December because of the same Brazilian drought that has raised U.S. soybean export prospects elsewhere in the world. Although wheat sales to the region are forecast to drop because of record Brazilian production, the same dry weather that boosted the wheat harvest there has dramatically cut the corn crop and has increased U.S. export prospects to Brazil. Mexico is now also expected to import more U.S. coarse grains and increased coarse grain exports to the region are expected to at least offset lower wheat exports.

Table 5--U.S. agricultural imports: Value by commodity, 1984-86

Commodity	October-December 1984	October-December 1985	Fiscal Years 1985	Fiscal Years 1986 Forecast
	--Billion dollars--			
Competitive				
Animals and products:				
Dairy and poultry products	.248	.255	.856	.9
Meat and meat products	.518	.530	2.214	2.4
Live animals	.161	.200	.569	.6
Other animal products	.101	.113	.514	.5
Vegetable products:				
Fruits, nuts and vegetables	.711	.726	3.481	3.5
Oilseeds and products	.208	.179	.784	.8
Sugar and related products	.374	.284	1.280	1.0
Tobacco, unmanufactured	.132	.153	.556	.6
Wines and malt beverages	.404	.485	1.550	1.6
Other competitive products	.290	.329	1.155	1.2
Total competitive	3.147	3.254	12.959	13.0
Noncompetitive				
Bananas and plantains	.160	.171	.752	.9
Coffee, green and processed	.716	.794	3.244	4.0
Cocoa beans and products	.259	.325	1.285	1.4
Rubber and allied gums	.177	.152	.680	.7
Spices	.068	.068	.243	.3
Tea	.052	.035	.184	.2
Other noncompetitive products	.084	.092	.393	.5
Total noncompetitive products	1.516	1.637	6.781	8.0
Total	4.663	4.891	19.740	21.0

Table 6--U.S. agricultural imports: Volume of selected commodities, 1984-86

Commodity	October-December 1984	October-December 1985	Fiscal Years 1985	Fiscal Years 1986 Forecast
	--Thousand metric tons--			
Competitive				
Cheese	43	46	135	140
Meat and meat products 1/	254	270	1,123	1,240
Sugar, cane and beet	669	529	2,338	2,200
Tobacco, unmanufactured	46	51	191	190
Tomatoes, fresh	38	50	374	380
Oilseeds and products	280	367	1,271	1,400
Wine 2/	153	149	512	515
Noncompetitive				
Bananas and plantains	641	705	3,022	3,300
Cocoa beans and products	106	132	539	620
Coffee, incl. products	245	276	1,128	1,020
Rubber and allied gums	191	211	799	810
Spices	31	22	98	88
Tea	21	19	81	88
Total	2,565	2,678	11,092	11,436

1/ Excludes poultry and products.
2/ Million liters. Not included in total.

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May 21, 1986

FORECAST LOWERED FOR U.S. FARM EXPORTS

U.S. agricultural exports during FY 1986 are now forecast at $27.5 billion, down 2 percent from the February forecast and 12 percent below fiscal 1985 exports. Declines in the price and volume of grain and cotton exports are the main reason for the reductions, easily outpacing gains in oilseeds and livestock products. Importers have delayed purchases this year in anticipation of lower prices in the fall when new, lower U.S. loan rates or marketing loan provisions become effective.

In contrast, exports of soybeans and meal are recording significant increases, largely in response to increased Soviet purchases and drought-reduced production in Brazil. Also, the livestock products export forecast has been revised upward, mainly reflecting increased exports resulting from various provisions of the 1985 farm act.

Export volume during FY 1986 is estimated at 115.5 million tons, 8 percent below fiscal 1985. Coarse grain exports, which are expected to drop 13 million tons from a year earlier, will account for most of the decline. This reflects a substantial decline in 1985/86 world coarse grain trade, due largely to decreased Soviet purchases.

Fiscal 1986 farm imports are expected gain only marginally from a year earlier to $20 billion. The resulting agricultural trade surplus is placed at $7.5 billion, down from $11.4 billion during FY 1985 and the lowest agricultural trade surplus since FY 1973.

Table 1--U.S. agricultural trade balance, fiscal 1980/1981-1985/86

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Export volume	162.3	157.9	144.8	143.6	125.7	115.5

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	Page
FORECAST LOWERED FOR U.S. FARM EXPORTS	1
Commodity Highlights	3
Economic Outlook	5
Regional Highlights	6

Tables

Table 1--U.S. agricultural trade balance, 1980/81-1985/86
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Note on Nuclear Accident: The export forecasts contained in this report have not been adjusted to reflect the possible impacts on the Soviet nuclear accident at Chernobyl due to a lack of specific information from the Soviet Union.

Commodity Highlights:

At $3.6 billion, the fiscal 1986 forecast for U.S. wheat and flour exports remains $800 million below the previous year. Although export volume is expected to pick up after June 1 when the U.S. loan rate is lowered 27 percent, U.S. exports will still face intense competition from foreign suppliers.

Fiscal 1986 U.S. coarse grain exports are currently forecast at $4.6 billion and 42.2 million tons, the lowest level of coarse grain export volume and value since FY 1975. This reflects a substantial decline in world coarse grain trade in 1985/86 due largely to a 14 million ton decline in Soviet purchases.

In addition, large exportable supplies of Thai, Chinese, and Argentine corn, and a recovery in South African production and exports, as well as feed wheat from several suppliers, continue to compete effectively in such Asian markets as Japan, South Korea, and Taiwan. Such competition has been exacerbated by attempts by foreign suppliers to ship as much of their exportable supplies as possible before the new U.S. loan rate becomes effective later this fall, making U.S. corn prices more competitive on the world market.

The forecast volume of rice exports remains at 1.8 million tons. However, forecast value has been lowered $100 million (17 percent) due to lower price expectations related to marketing loan provisions of the Farm Bill. The marketing loan provision allows participating farmers to repay their 1985/86 loans at the world market price, determined by USDA on a weekly basis. Marketing loans will permit U.S. rice export prices to fall in line with the export prices of competitors.

Oilseed and products exports are now forecast at $6.6 billion, $200 million and 5.2 million tons above fiscal 1985. Improved soybean export prospects stem from large Soviet purchases and drought-related production setbacks in Brazil. Soybean meal exports are also expected to be up from last year, but a glut of vegetable oils, especially palm, will result in sharply lower U.S. soybean oil exports.

The estimate for FY 1986 cotton exports now stands at $700 million and 500,000 tons, down $1.3 billion and 800,000 tons from fiscal 1985. Cotton exports by Australia, China, and Pakistan continue to displace U.S. shipments to such key Asian markets as Japan and South Korea. However, the situation is expected to improve as the new marketing loan provisions allow the U.S. to regain its price competitiveness after August 1.

U.S. fiscal 1986 tobacco exports are forecast at $1.5 billion, down $88 million from a year earlier. The drop reflects lower producer prices and a lower quality 1985 crop.

The value of U.S. horticultural exports remains at $2.7 billion. The current forecast is slightly above fiscal 1985's export level. Several commodities within the horticultural sector are expected to contribute to the growth, including grapefruit, raisins, almonds, and processed vegetables.

Table 2--U.S. agricultural exports: Value by commodity, 1984-86

Commodity	October-March 1984/85	October-March 1985/86	Fiscal 1984/85	Fiscal 1986 Forecast
	---Billion dollars---			
Grains and feed	8.074	5.622	13.424	10.2
Wheat and flour	2.637	1.740	4.427	3.6
Rice	.330	.296	.676	.5
Coarse grains 1/	4.352	2.732	6.867	4.6
Corn	3.690	2.457	5.771	4.0
Oilseeds and products	4.220	4.045	6.366	6.6
Soybeans	2.709	2.797	3.872	4.4
Soybean cake and meal	.485	.634	.834	1.1
Soybean oil	.341	.138	.558	.3
Livestock and products	1.743	1.801	3.308	3.5
Poultry and products	.203	.224	.393	.4
Dairy products	.179	.209	.418	.6
Horticultural products	1.319	1.320	2.607	2.7
Tobacco	1.050	.883	1.588	1.5
Cotton & linters	1.303	.418	1.967	.7
Seeds	.219	.243	.343	.4
Sugar and tropical products	.399	.386	.769	.8
Total	18.710	15.153	31.183	27.5

Table 3--U.S. agricultural exports: Volume by commodity, 1984-86

Commodity	October-March 1984/85	October-March 1985/86	Fiscal 1985/86	Fiscal 1986 Forecast
	-- Million metric tons --			
Wheat	16.776	11.915	28.524	26.0
Wheat flour	.332	.508	.766	1.2
Coarse grains 1/	34.522	25.250	55.231	42.2
Corn	29.116	22.634	46.276	36.1
Feeds, ingredients & fodders	3.283	3.944	6.395	7.0
Rice	.942	.799	1.972	1.8
Soybeans	11.482	13.463	16.620	21.5
Soybean cake & meal	2.477	3.181	4.460	5.4
Soybean oil	.479	.232	.752	.6
Sunflowerseed	.705	.142	.999	.5
Sunflowerseed oil	.089	.134	.130	.2
Other oilcakes & meals	.088	.069	.149	.1
Beef, pork & variety meats	.199	.202	.400	.4
Poultry meat	.118	.126	.236	.2
Animal fats	.598	.691	1.199	1.3
Tobacco	.171	.151	.257	.2
Cotton & linters	.846	.285	1.317	.5
Horticultural products	1.385	1.347	2.659	2.7
Other	1.835	1.940	3.652	3.7
Total	76.329	64.379	125.719	115.5

1/ Includes corn, oats, barley, sorghum, rye, and products.

The export forecast for the livestock, dairy, and poultry sector now stands at $4.5 billion, $400 million above the previous year. The improved livestock outlook stems largely from increased exports resulting from various provisions of the 1985 farm act. This includes increased butter and cheese shipments and a recent sale of 90,000 tons of U.S. beef to Brazil for delivery in July-October. In addition, tallow shipments to Mexico and Egypt are expected to increase substantially.

Economic Outlook

Because of offsetting factors, world economic growth in 1986 will probably be little changed from 1985's 3.0 percent. World trade volume for all goods will grow only slightly faster compared with 1985. The decline of the U.S. dollar in foreign exchange markets will ease repayment of dollar-denominated debt for developing countries, and ease inflationary pressures worldwide. On the other hand, a weaker dollar--combined with converging growth rates between the United States and its trading partners--is expected to mean slower increases in U.S. imports. This will remove what had been a significant stimulus to the rest of the world.

Unfortunately, the weaker dollar will not have as large an impact on U.S. agricultural exports to markets such as Taiwan and Korea where the currency is pegged to the U.S. dollar. Also, the dollar has actually strengthened against the currencies of competitors such as Argentina, Australia, and Canada.

By some estimates, oil prices are expected to average 40 percent lower in 1985. While most countries will benefit from lower import bills and inflation, this change renews uncertainty in debtor countries where commercial lenders seem to be waiting for signs of improved economic growth. Lower oil prices will mean both slower growth and larger borrowing needs for oil exporting debtors.

Prospects for the European economies have been clearly bolstered this year, however, and growth there will be its strongest since the end of the 1970's. Falling U.S. interest rates have enabled European rates to fall as well. Stronger currencies will reduce inflation, raise real growth, and allow Europe to increase imports from the developing countries.

Developing countries will also benefit from lower interest rates, which ease debt servicing. However, commodity prices have fallen to a 7-year low in the International Monetary Fund's non-fuel raw materials index. Although increased European demand may bolster nominal commodity prices later, prices are likely to continue declining in real terms.

Regional Highlights

Western Europe

U.S. agricultural exports to Western Europe are expected to fall to $7 billion despite prospects for increased sales of soybeans, soybean meal, and horticultural products.

While lower prices account for some of this decline, the expansion of the European Community (EC) from 10 to 12 members is also a factor. The accession of Portugal and Spain to the EC has meant the application of variable import levies in these 2 countries since March 1, and has led Portugal to establish controls on domestic

vegetable oil consumption. The effect of these actions is to displace U.S. sales. Prospects for U.S. coarse grain exports to Western Europe are also dimmer in 1986 because of increases in European wheat gluten production.

Increased pig inventories are expected to boost soymeal demand, but the rise in West European consumption will be modest despite the opportunities offered by the lower U.S. dollar. A significant rebound is nevertheless expected in U.S. soybean and soybean meal sales because of Brazil's inability to meet European needs this year. Exports of other feeds and fodders (mostly corn gluten) are also expected to be higher.

U.S. horticultural exports to Western Europe are being boosted by the weaker U.S. dollar and poor weather in some European countries.

Japan

Lower prices and smaller U.S. market shares in coarse grains and cotton are expected to lower U.S. agricultural exports to Japan by 13 percent in 1986. While lower world prices and the appreciation of the yen have resulted in lower feed prices and increased profit margins for Japanese livestock producers, grain and oilseed demand has been only slightly stimulated.

Furthermore, U.S. coarse grain exports have faced strong competition. Long-term arrangements with China, the return of South Africa as a competitor, and Argentina's attempts to augment weak sales to the Soviet Union have cut the U.S. market share. Similarly, the U.S. share of Japan's cotton imports has shrunk as competitors significantly underprice available U.S. cotton.

U.S. market-share and sales of soybeans have rebounded because of reduced Brazilian production. Also, because of low vegetable oil prices and weaker oil demand, Japan may be crushing more soybeans and less rapeseed, boosting U.S. export prospects.

Canada

U.S. agricultural exports to Canada were 18 percent lower in value during the first half of fiscal 1986, and are expected to finish the year at their lowest level in 10 years. The forecast for U.S. coarse grain sales to Canada are forecast lower in 1986 in part due to a record corn crop in eastern Canada. In addition, preferential transportation rates are encouraging the movement of Ontario corn into Quebec at the expense of U.S. imports.

While a record Canadian soybean crop is expected to reduce U.S. sales of soybeans to Canada, strong demand for soybean meal and continued labor problems in eastern crushing plants are expected to mean higher U.S. soybean meal exports to Canada than during fiscal 1985.

Another factor hampering U.S. exports to Canada this year has been the U.S. dollar's gains against Canada's currency. While the U.S. dollar had been declining compared with most major currencies, the Canadian dollar has been weakened even further by falling oil prices, domestic banking crises, and local political events.

USSR

At least one quarter of this year's decline in total U.S. agricultural export value

can be attributed to lower sales to the Soviet Union. U.S. sales to the Soviets are expected to fall from more than $2.5 billion to below $1.5 billion. This forecast has not been adjusted to reflect the possible impacts on the Soviet nuclear accident at Chernobyl due to a lack of specific information from the Soviet Union.

Last year's record Soviet non-grain feed production and improved grain production has already meant a sizable drop in U.S. exports to the Soviets. Wheat exports have been particularly low--only 153,000 tons in the first half of fiscal 1986, compared with just under 3 million tons during the same period a year earlier. The Soviets are expected to respond strongly to the availability of lower priced wheat in the upcoming crop year beginning June 1986.

Soviet coarse grain imports from all sources--including the United States--are expected to be about half of 1985 purchases. However, Soviet purchases of U.S. soybeans are already more than 1 million tons above 1985 purchases.

Eastern Europe

In contrast with the sharp drop expected in sales to the Soviet Union, U.S. farm product exports to Eastern Europe are expected to remain nearly unchanged in 1986 as larger volumes of coarse grain and soybean exports offset lower prices and lower sales of other products.

Drought has increased agricultural import needs in Southeastern Europe, raising U.S. sales of corn to Bulgaria and soybean sales to Yugoslavia and Romania. In the north, however, East German needs are again lower following another excellent harvest, and prospects for dairy exports to Poland are lower as well this year. U.S. sales of soybean meal and cattle hides have been cut by competition from South America and the Soviet Union, respectively. Cattle hide exports to Eastern Europe fell nearly 40 percent in the first half of 1986.

China

U.S. agricultural exports to China are forecast to fall below $200 million in 1986, a decline of more than 40 percent. China's most recent grain crop, although lower than a year earlier, is still its third largest recorded. Total wheat imports are expected to drop again in 1986 as the United States continues to lose market share.

Internal transportation problems have led China to import some soybeans from the United States, offsetting lower U.S. vegetable oil sales. A shortage of foreign exchange is expected to limit China's other non-grain agricultural imports this year.

South Asia

For the third consecutive year, U.S. farm product exports to South Asia are expected to fall. Good farm sector performance and moderate or declining rates of inflation have reduced requirements for government-controlled food imports, reducing market opportunities for U.S. farm commodities.

Larger concessional and credit sales of wheat and soybean oil are expected to Pakistan in 1986, but these gains will be more than offset by reduced demand for food grains and edible oils elsewhere in the region. Growth in regional demand for U.S. food grains has been slowed by excellent harvests, particularly in India, Bangladesh, and Sri Lanka. Soybean oil sales have been slowed by record edible oil

production in Pakistan, reduced import demand in India, and increased competition from palm oil.

Other East Asia

Lower prices and lower cotton sales are expected to reduce U.S. agricultural exports to Other East Asia (Korea, Taiwan, and Hong Kong) to $2.8 billion in 1986. This region is the United States' largest cotton customer--accounting for about one third of all U.S. cotton exports--but the U.S. share will probably be halved this year.

However, a rebound is expected in U.S. coarse grain exports to Korea. In 1985, U.S. sales were halved as China began exporting vigorously. This year, the United States is expected to reap the benefit of higher Korean imports and falling Chinese exports. Soybean meal consumption in the region is not expected to rise, but an increased market-share will mean higher U.S. soybean exports.

Southeast Asia

U.S. agricultural exports to Southeast Asia fell 15 percent from year-earlier value in the first half of 1986, and are not expected to improve before year's end. Southeast Asia is a net exporter of both fuel and non-fuel commodities, and weak prices for both will hurt export earnings and foreign exchange availability.

Since the last forecast, the U.S. share of Indonesia's wheat imports has slipped, reducing export prospects already diminished from the year before. Similarly, U.S. cotton exports to the region continue to decline as textile demand slackens and importers move from higher-priced U.S. cotton to purchase from China. However, soybean meal deliveries from China have failed to keep pace with needs and more U.S. meal is being purchased instead.

Middle East

Lower petroleum prices will mean smaller foreign exchange earnings for much of the Middle East, but U.S. agricultural exports to the region will likely remain at 1985's level. Reserves and investments will provide a cushion in some countries, while savings from reduced imports of nonagricultural goods and spending for services will also help preserve foreign exchange sufficient to maintain improved dietary standards.

Improved Middle Eastern barley and corn crops will cut U.S. coarse grain sales to the region, but wheat exports are expected to be sharply higher due to efforts under the Export Enhancement Program (EEP) and droughts in Jordan and Israel.

Despite a near-doubling of Iraq's oil exports, total U.S. agricultural sales to Iraq--the region's largest U.S. customer--are expected to differ little from last year because of Iraq's heavy reliance on counter-trade agreements with other countries.

North Africa

North Africa is expected to increase its imports of U.S. agricultural products in 1986. Lower petroleum prices affect North African countries directly or indirectly

Table 4--U.S. agricultural export value by region, 1984-1985 and 1986 forecast

Region	October-March 1984/85	October-March 1985/86	Fiscal 1985	Fiscal 1986 Forecast
	--Billion dollars--			
Western Europe	4.599	4.432	7.184	7.0
European Community 1/	4.279	4.193	6.664	6.7
Other Western Europe	.320	.239	.521	.4
Eastern Europe	.368	.318	.531	.5
USSR	1.919	.908	2.509	1.4
Asia	6.889	5.813	11.934	10.5
Middle East 2/	.875	.657	1.452	1.5
South Asia 3/	.375	.282	.600	.5
Japan	3.308	2.908	5.663	4.9
China	.163	.066	.239	.1
Other East Asia 4/	1.732	1.530	3.137	2.8
Southeast Asia 5/	.436	.370	.843	.7
Canada	.876	.721	1.727	1.5
Africa	1.372	1.117	2.528	2.2
North Africa 6/	.731	.782	1.208	1.4
Sub-Saharan Africa	.641	.335	1.319	.8
Latin America	2.556	1.743	4.565	4.2
Mexico	.949	.553	1.564	1.5
Central America & Caribbean	.544	.517	1.129	1.1
South America	1.063	.673	1.872	1.6
Oceania	.131	.101	.204	.2
Total	18.710	15.153	31.183	27.5
Developed Countries 7/	8.914	8.162	15.226	13.6
Less Developed Countries	7.346	5.698	12.676	11.9
Centrally Planned Countries	2.450	1.292	3.280	2.0

1/ Includes Spain and Portugal.

2/ Turkey, Cyprus, Syria, Lebanon, Iraq, Iran, Israel, Jordan, Kuwait, Saudi Arabia, Qatar, United Arab Emirates, Yemen (Sana), Yemen (Aden), Oman, and Bahrain.

3/ Afghanistan, India, Pakistan, Nepal, Bangladesh, and Sri Lanka.

4/ Korea, Hong Kong, and Taiwan.

5/ Burma, Thailand, Vietnam, Laos, Kampuchea, Malaysia, Singapore, Indonesia, Brunei, Philippines, and Macao.

6/ Morocco, Algeria, Tunisia, Libya, and Egypt.

7/ Western Europe, Japan, Canada, and Oceania.

through worker remittances, but offsetting factors will prevent a fall in U.S. agricultural exports to the region this year. Food consumption subsidies and the availability of aid programs will allow the region to maintain consumption and imports.

A significant increase in U.S. wheat exports to the region is already underway under the aegis of the EEP. Exports of U.S. wheat and products in the first half of 1986 have already exceeded the amount exported in all of 1985.

U.S. coarse grain exports to North Africa are expected to rise only slightly in 1986, despite continued emphasis in the region on boosting meat production. Argentina is expected to capture any growth in the Egyptian corn market--although Egypt will remain the largest U.S. customer in the region. Demand for imported coarse grains elsewhere in the region will be little changed because lower harvests in some countries have been offset by improved crops harvested or expected elsewhere.

Sub-Sahran Africa

During 1984 and 1985, large production shortfalls in Sub-Saharan Africa have sustained record and near-record U.S. agricultural exports to the region. In 1986, U.S. exports will probably drop more than a third because of improved food production, lower prices, and efforts by some countries to restrict imports.

South Africa's recovered corn crop and Sudan's record grain production is expected to halve the value of U.S. farm product exports to each of these countries. However, food shortages persist in Ethiopia, despite slightly increased food output. As a result, Ethiopia's imports from the United States will fall only slightly.

Wheat exports to the region will be lower largely because of a sharp drop in shipments to Nigeria. U.S. wheat sales to Nigeria were sharply down in the first half of 1986 due to delays in issuing import licenses. Subsequently, Nigeria banned further imports of wheat, adding it to a list of banned commodities that now includes corn, rice, vegetable oils, and poultry products.

Latin America

Prospects for exports to Latin America have deteriorated since the February forecast and U.S. farm product exports there are now estimated significantly below 1985. Export value may fall $400 million in 1986 and was already 30 percent lower during the first half of 1985 compared with a year earlier.

Exports to Central America and the Caribbean are expected to fall only slightly in 1986, and the outlook is better this year for corn and soybean exports to Brazil in the wake of reduced production there. However, wheat exports to Brazil have already fallen substantially because of much improved production, and the forecast for corn exports to Brazil has been reduced compared to previous estimates.

Table 5--U.S. agricultural imports: Value by commodity, 1984-1985 and 1986 forecast

Commodity	October-March 1985/85	October-March 1985/86	Fiscal 1985	Fiscal 1986 Forecast
	--Billion dollars--			
Competitive				
Animals and products:				
Dairy and poultry products	.454	.460	.856	.9
Meat and meat products	1.053	1.102	2.214	2.3
Live animals	.275	.263	.569	.5
Other animal products	.101	.113	.514	.5
Vegetable products:				
Fruits, nuts and vegetables	1.784	1.746	3.481	3.4
Oilseeds and products	.417	.362	.784	.7
Sugar and related products	.724	.527	1.280	1.0
Tobacco, unmanufactured	.271	.288	.556	.6
Wines and malt beverages	.726	.856	1.550	1.6
Other competitive products	.574	.644	1.155	1.1
Total competitive	6.619	6.637	12.959	12.6
Noncompetitive				
Bananas and plantains	.361	.373	.752	.8
Coffee, green and processed	1.620	2.103	3.244	4.0
Cocoa beans and products	.729	.661	1.285	1.2
Rubber and allied gums	.381	.317	.680	.6
Spices	.129	.148	.243	.3
Tea	.103	.069	.184	.1
Other noncompetitive products	.185	.192	.393	.5
Total noncompetitive products	3.508	3.863	6.781	7.4
Total	19.127	10.500	19.740	20.0

Table 6--U.S. agricultural imports: Volume of selected commodities, 1984-1985 and 1986 forecast

Commodity	October-March 1984/85	October-March 1985/86	Fiscal 1985	Fiscal 1986 Forecast
	--Thousand metric tons--			
Competitive				
Cheese	70	73	135	140
Meat and meat products 1/	517	551	1,123	1,160
Sugar, cane and beet	1,334	994	2,338	2,200
Tobacco, unmanufactured	92	96	191	190
Tomatoes, fresh	200	140	374	260
Oilseeds and products	614	782	1,271	1,400
Wine 2/	269	249	512	515
Noncompetitive				
Bananas and plantains	1,454	1,529	3,022	3,100
Cocoa beans and products	313	269	539	500
Coffee, incl. products	556	638	1,128	1,020
Rubber and allied gums	427	430	799	810
Spices	56	46	98	88
Tea	42	43	81	85
Total	5,675	5,591	11,092	10,953

1/ Excludes poultry and products.
2/ Million liters. Not included in total.

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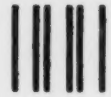

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